

Message Text

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ACTION EB-07

INFO OCT-01 EA-09 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01
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TO SECSTATE WASHDC 5508
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AMEMBASSY MANILA
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UNCLAS KUALA LUMPUR 7186

E.O. 11652: N/A
TAGS: ENRG, EALR: MY
SUBJECT: PETROLEUM: RAJA TAW SRI MOHAR ADDRESSES PETROLEUM PROFIT
SPLIT

1. RAJA TAN SRI MOHAR, SPECIAL ECONOMIC ADVISOR TO PRIME
MINISTER, PETROLEUM ADVISORY COUNCIL CHAIRMAN
AND MEDIATOR IN RECENT OIL NEGOTIATIONS, RESPONDING TO
SPECULATION THAT GOM HAD TO GIVE CONCESSIONS IN ORDER TO
REACH AGREEMENT ON PRODUCTION SHARING CONTRACTS BY NOVEMBER 30
DEADLINE, SAID THAT AGREEMENT SHOULD BE VIEWED AS PACKAGE DEAL
WHICH PROVIDES INCENTIVES FOR FUTURE EXPLORATION AS WELL AS
DEVELOPMENT OF KNOWN RESERVES AND THAT THE IE AND ONE HALF
PERCENT TO 16 AND ONE HALF PERCENT SPLIT IN FAVOR OF THE GOM
COMPARES FAVORABLY WITH PERTAMINA'S 85/15 SPLIT SINCE PERTAMINA
WAS OBLIGED TO PROVIDE ADDITIONAL INCENTIVES TO ASSURE NEW
EXPLORATION.

2. MOHAR SAID THAT BOTH PARTIES MUST MAKE CONCESSIONS IN ANY
NEGOTIATION AND NOTED THAT ACTUAL COSTS OF PRODUCING OIL AND
GAS COULD BE LESS THAN THE 20 AND 25 PERCENT COST ALLOWANCES
PERMITTED IN WHICH CASE THE DIFFERENCE WOULD BE SPLIT 70/30
IN FAVOR OF THE GOVERNMENT.

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3. HE FURTHER NOTED THAT THE REDUCTION OF PETROLEUM

INCOME TAC FROM 50 TO 45 PERCENT SHOULD NOT BE VIEWED AS A CONCESSION SINCE THIS WAS PART OF THE OVERALL PACKAGE. HE ALSO NOTED THAT AS MEDIATOR HIS RECOMMENDATIONS WERE MADE AFTER HEARING ALL PARTIES AND CONSIDERING ALL RELEVANT CIRCUMSTANCES AND NOTED THAT THESE RECOMMENDATIONS, WHICH BECAME THE KEY FISCAL AND ECONOMIC TERMS OF THE AGREEMENT, ARE CONSIDERED FAIR BY ALL PARTIES CONCERNED.

4. SPEAKING AS CHAIRMAN OF THE NATIONAL PETROLEUM ADVISORY COUNCIL RAJA MOHAR SAID THAT GOVERNMENT POLICY IS TO HAVE MANY OIL COMPANIES IN THE OIL AND GAS SECTOR BUT NOTED THAT THEIR PRODUCTION SHARING CONTRACTS WITH PETRONAS WOULD BE BASICALLY THE SAME AS THOSE ALREADY EXECUTED.

5. ON QUESTION OF OIL PRICE INCREASE BY OPEC, RAJA MOHAR SAID IT WOULD BE "BONUS" FOR MALAYSIA BUT WOULD NOT EFFECT PRESENT PRODUCTION SHARING CONTRACTS, NOTING THAT UNDER PRODUCTION SHARING CONTRACTS THE OIL COMPANIES WERE "CONTRACTORS" WORKING FOR PETRONAS AS COMPARED TO BEING "CONCESSIONERS" UNDER THE OLD ARRANGEMENT.
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